

280.8  
B963  
cap. 1

# BUSINESS CONDITIONS & FORECASTS

## A M A News Letter

LIBRARY  
RECEIVED

MAR 2 - 1943

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

U. S. Department of Agriculture  
FEBRUARY 26, 1943

### The President's Scratch-Pad



ALVIN E. DODD

Managers in war industries have long realized that the soundest and most productive approach to the manpower problem is through better utilization of our labor supply. They have regularly pointed out that

it is footless to concentrate on supply alone without seeking to increase the productivity of the present labor force. A reference to the subject in a recent issue of this NEWS LETTER brought a wide response from plant executives, indicating that it is a matter which gravely concerns them.

The entire nation is now awakening to the realities of the problem. The term "absenteeism," which for many months has been a commonplace to industrial managers, appears somewhere in the headlines of any newspaper you pick up. Civic organizations in many communities have inaugurated anti-absenteeism drives, and pastors in some churches have even denounced absenteeism from the pulpit and besought workers to stay on their jobs.

Cognizance of the problem is also being taken in Washington. The House Naval Affairs Committee has reported favorably on a bill aimed at curbing absenteeism, "an evil," the committee commented, which was increasing and producing a "very plain, very stark, very ugly situation."

So seriously is absenteeism regarded in Germany, incidentally, that the Nazis characteristically devised what they considered the only sure-fire cure for it: the firing squad. Even in democratic Britain, wilful absences are prosecuted and imprisoned or fined. Such drastic measures should not be needed here, but they illustrate the belief of other belligerents that war workers and soldiers on the fighting fronts are part of one vast army and that the former should be subjected to some form of quasi-military discipline.

**Featherbedding** But absenteeism is not the sole evil. There are other drains on the efficiency of our labor supply whose total ill effect is probably far graver than that of absenteeism. There is, for example, this thing called "featherbedding." We may mark the word well, for if the abuses to which it is applied are not corrected, it may become as conspicuous in the headlines as absenteeism,

"Featherbedding" is one of those euphemisms which Americans are able to coin so handily and whose meaning is clear to everyone. (In the early days of our history, featherbeds were considered essential to real sleeping comfort, but now they are regarded as outmoded and indeed not particularly healthful.) One definition of "featherbedding" which I read recently follows:

There are the union rules imposing restrictions on the use of spray-guns for painting; the union rules that prevent the use of prefabricated materials in building; the many railroad "full-crew" laws that exist merely for the purpose of creating needless jobs; the regulations that require the "employment" of a new truck driver, whether he works or not, whenever a truck crosses a State line; the thousand and one practices under which union plumbers insist on cutting off the threaded ends of delivered pipes so that they may do the job again, and electricians insist on tearing electrical wiring out of prefabricated houses so that they may install new wiring, and theatrical scene shifters insist on the employment of a crew of scene shifters even in plays where there is no scenery.

Many readers will probably recall other types of featherbedding they have encountered in their personal experience. Essentially, these restrictions are intended to protect the worker and to spread the work as much as possible. Other forms taken by featherbedding include limitations on machine loads, restrictions on the work that can be performed by members of a craft, limitations on the number of machines per man, etc. In the face of the manpower shortage, some union contracts still limit the number of apprentices that may be employed, while foremen are restricted in number or prevented from working at productive tasks.

In addition, various "privileges" are

(Continued on back page)

### BUSINESS OUTLOOK

Business activity continues at a high level, and could go higher except for physical limitations in materials, machines and human energy. Most agencies whose comments are reported on the inside pages of this LETTER, agree that the current rate of activity may be sustained for an indefinite period. But the pattern of the war economy has been established, they also point out, and the country, which is now living partly on its inventories, will increasingly feel the shortages and restrictions characteristic of all-out war production.

Physical volume of individual production is at a record level and is only limited by the number of men and machines available for our factories. At the present, all durable goods production is almost three times the 1935-1939 average. But this production must increase still further if we are to meet the volume of spending contemplated in the new budget, which provides for an output of war materials alone equal to the total national production in our busiest peacetime year.

#### Worker Supply

The most important single development of the month was the President's Order on the 48-hour week. Most observers are dubious as to how substantially the Order will contribute to the easing of labor shortages, but hope that it heralds a general move toward the more effective utilization of labor supply. Meanwhile, although absorption of workers by war industries is proceeding at a rapid pace, measures which the Government is now believed to be devising will accelerate the trend still further. In January, an increase of 2,000,000 in civilian employment over a year ago was due entirely to a rise of 2,800,000 in the number of women employed, lifting the total to nearly 15,000,000.

The prospect is that before 1943 is over, the civilian economy that we knew at present will be but a memory; in 1944 we shall realize that point rationing and shortages were only a foretaste of the real war economy. Russia is widely con-

(Continued on back page)

INV. '43

# BUSINESS CONDITIONS & FORECASTS...

VOL. 16, No. 2 — PREPARED MONTHLY BY THE AMERICAN MANAGEMENT ASSOCIATION

	Alexander Hamilton Institute	Brookmire, Inc.	Business Week
<b>General Outlook</b>	Fundamental business conditions continue to improve. During the week ended January 30, the nation's purchasing power rose to a new wartime high, and business profits showed an increase due to a greater rise in income than in expenses. However, a further rise in business expenses is likely (Feb. 13).	We should endeavor to remain realistic about the possibility of Axis counter-blows and of upsetting developments in Washington as a result of wrangling over taxes, rationing, labor, agricultural problems, and a host of other factors. Long-term confidence should be tempered with short-term watchfulness (Feb. 3).	This year is apt to see a peak and moderate decline in total economic activity—industrial production, agriculture, construction work, distribution, etc.—over-all aggregate. But in dollar valuation product will continue to grow—because all rise (Feb. 6).
<b>Money and Credit</b>	The Federal Reserve Board reports that outstanding consumer credit declined during 1942 from \$9,500,000,000 to \$6,100,000,000, primarily as a result of a reduction in automobile sales credit (Feb. 6).	Efforts of the labor and farm blocs in Congress may have the effect of promoting an inflationary spiral of prices and wages (Feb. 11).	The Administration intends to hold by holding the line a little while longer only for a few weeks—on wages and fares. But sooner or later farm prices are going to parity and beyond. And sooner or later the steel formula will break (Feb. 13).
<b>Security Markets</b>	The total value of all stocks listed on the N. Y. Stock Exchange rose to \$41,411,000,000 at the end of January from \$38,812,000,000 a month ago and from \$36,228,000,000 a year ago. Yields on industrial stocks have shown a decline of close to 2% over the past year, and are under those of the summer of 1941 (Feb. 13).	Following a rise in the stock market that has persisted for over nine months without a corrective reaction of any importance, it is time for the alert investor to take soundings for a possible reaction. Prices have now advanced to a zone where considerable resistance may be encountered (Feb. 11).	The parallelism of stock and commodity movements in the past three months analysts to wondering if this marks a normalcy, since normally the two move much together. It remains to be seen if Mr. Byrne's commodity-price stand will, if so, how it affects stocks (Feb. 13).
<b>Production</b>	Manufacturing activity in November rose to the highest rate on record, and the FRB index of manufactures advanced from 204 in October to 206 in November (1935-39=100). While a slight recession probably occurred in December, manufacturing activity in December was 19.3% higher than in the same month of 1941 (Feb. 6).		By the late months of the year, prices may not only flatten but also ease off as new peak it is approaching. We are rapping up our last reserves of men, machines, materials (Feb. 20).
<b>Distribution</b>	While the value of department store sales in the United States in January was equal to only half the record high sales of December, the decrease was less than the usual seasonal amount. Thus the seasonally adjusted sales index rose from 125 in December to a record peak of 142 in January (1923-25=100) (Feb. 13).		The decline in distributors' inventories accelerated in late 1942 and into 1943 figures partly reflect 1940-1941 price so, at the current rate of drain, the physiognomy minimum may be only six months hence more shortages (Feb. 20).
<b>Construction</b>	In November, 1942, the latest month for which figures are available, employees in the building industry earned an average weekly wage of \$45.72; this represents an increase of 47.9% over the level of August, 1939, when earnings averaged \$30.91 (Feb. 6).	If the typical postwar pattern is repeated after this war, years of active construction will eventually be necessary to make up housing shortages. Un-doubling of families will spur construction, while demobilized soldiers will have settled down and started new families, requiring additional homes (Feb. 11).	During the latest week for which figures are available, the <i>Engineering News-Record</i> four-week daily average of engineering and construction awards stood at \$12,227,000. A year ago the figure was \$25,648,000; six months ago \$35,628,000 (Feb. 20).
<b>Agriculture</b>	In the week ended January 23, the index of farm products prices, on the basis of 1929 as 100, advanced to 111.7; this contrasts with a '42-'43 low of 92.4, and represents an increase of 16.8% over the level of a year ago (Feb. 6).		It is hard to see how it is going to be possible to find the 3,000,000 additional needed on farms this summer. Shifts of acreage to more essential crops will help ease basic fats and other supplies, but the pinch oil output cannot be halted (Feb. 20).
<b>Commodity Prices</b>	The price index of 28 basic commodities, as compiled by the Bureau of Labor Statistics, rose during the week ended Feb. 5 to a new wartime high of 174.7, averaging 5.7% higher than a year ago (Aug. 1939=100); 15 commodities were higher in price than a year ago, 2 were lower, 11 showed no change (Feb. 13).	Irregularity in commodity prices has added to the mixed market picture so far this month (Feb. 11).	In the latest week for which figures are available, Moody's Spot Commodity Indexed 245.3 (Dec. 31, 1931=100). The for the preceding week was 244.8; for the ending week last year, 228.1 (Feb. 20).
<b>Labor and Wages</b>	In November, 1942, workers earned more money in shipbuilding than in any other industry, averaging \$60.75 weekly; hotel employees were the poorest paid, with a weekly average of \$18.56. In manufacturing as a whole, hourly earnings had risen from the pre-war figure of 63.4¢ to 89.9¢ in November, 1942 (Feb. 6).		The much-publicized 48-hour edict add sufficient reserves to lick the labor shortage—particularly because it must exempt enterprises and some areas. Last November manufacturing workweek already averaging 40 hours, and it has lengthened since (Feb. 2).
<b>Foreign Trade and Conditions</b>	Germany has long since passed her peak of production, and the prospect is that her productive capacity and that of her satellites will decrease from now on. The labor shortage in Germany is acute, and it is estimated that one of every four or five workers in Germany's fields and factories is a foreigner (Feb. 6).	When the war ends, our exports (dependent on government policy) will be heavy in the form of food, materials and equipment to feed, house and rehabilitate populations in war-devastated nations, especially in Europe (Feb. 11).	Paid-for exports during the period of lend-lease operations up to January 1, totaled \$6,900,000,000—topping lend-lease by \$941,000,000. A major part of the chase exports were ordered during 1939 and 1941 before lend-lease (Feb. 6).

This digest covers the views of various authorities. It does not include any strictly confidential information or specific advices from the

## SOON — Reproduction Not Permitted

week

peak and mod-  
erately activating  
culturation,  
on, etc., over-  
valuation prod-  
because it rise

is to bation  
while to only  
and fat. But  
the goingpart  
later the Steel  
( ).

and comprise  
months ana-  
arks at nor-  
to movemuch  
seen in Mr.  
and wind, if  
( ).

year, per may  
e off in new  
are rapping up  
machines serials

ors', ins ac-  
to 1944 fig-  
price so, at  
the physiatory  
months hence

or whics are  
News-R four-  
cheeringin  
0. A to the  
monts \$35,-

going possib-  
ional needed  
of a more  
use basic fats  
inch out  
( ).

uch figu avail-  
dly Itched  
. The or the  
or the ending  
20).

ur edict add  
the labore—  
exemptmen-  
November manu-  
averag hours,  
(Feb. 6).

he pend-  
ary 1, totald  
nd-leas by  
of the chace  
g 1939 and  
6).

### Dun's Review

Trade, production and employment continue to surpass all previous records for the period. Fearing future shortages, consumers and distributors are anticipating requirements, but retailers covering until Easter in January wholesale markets found supplies limited, less than last year in many lines (Mar.).

In January, bank clearings in 24 cities decreased to \$34,735,280,000, 8% below December but 10% ahead of 1942. A continued decline in failures dropped the total from 506 to 458 in January; the seasonally adjusted insolvency index reached a new low of 23.5, compared with 45.1 a year ago (Mar.).

In an increasingly active market, stock prices continued to advance; by mid-February they were at the highest point since September, 1941. From 121.56 in January, the Dow-Jones industrial stock price average rose to 128.41 a month later (Mar.).

After leveling off at the end of the year, production is again expanding to new highs as the seasonal upswing in light consumer goods gives additional momentum to the uptrend of war production. All durable goods production is almost three times the 1935-39 average; non-durable goods output is up 40% (Mar.).

A new consumer buying rush for apparel touched off by fear of rationing lifted retail trade far above last year's all-time high in early February, with volume in the Southwest, Mountain and Pacific States 30% or more above 1942. In January, total trade was estimated close to last year's levels (Mar.).

Building permits for 215 cities declined 26% from the December level to \$28,854,288, the smallest January figure since 1935. Although total construction contracts were still 11% larger than a year ago in January, building permits, which largely exclude war work, were off 54% from 1942 levels (Mar.).

Commodity prices moved upward steadily during the month to reach a new wartime high in mid-February. Increases in agricultural items were again responsible for the rise in Dun & Bradstreet's daily wholesale commodity price index to 169.96 from 168.23 a month ago and 155.42 a year ago (Mar.).

In January, an increase of 2,000,000 in civilian employment over a year ago was due entirely to a rise of 2,800,000 in the number of women employed, lifting the total to 14,900,000. Unemployment contracted to a low of 1,400,000, against 4,300,000 in 1942 (Mar.).

### Cleveland Trust Company

We have reached that stage in which we are really beginning to exert an all-out war effort, and we shall be confronted by priorities problems and other limiting factors for the duration. Industrial production appears to have declined slightly from November to December (Feb. 15).

The physical volume of industrial production was 18% above its computed normal level in July, 1942; it advanced to 19% above in August, 20% above in September, 22% above in October, 23% above in November, but preliminary figures indicate a decline to 22% above normal in December (Feb. 15).

Since the outbreak of war, food prices have advanced nearly twice as much in this country as they have in Britain—an indication that the British price controls are more effective than ours. Retail food prices have been falling in the United Kingdom while steadily rising here (Feb. 15).

During 1942, building construction and shipbuilding each consumed almost 11 million tons of steel products. These two industries used more than one-third of all the steel products turned out during the year (Feb. 15).

By November of last year the index of retail food prices in this country had advanced 33% above the level of September, 1939; in contrast, by October of 1942 the British price index had risen only 17% above the level prevailing at the beginning of hostilities (Feb. 15).

Payroll advances have been even more rapid during this war than in the first World War period, but fortunately we have now instituted more effective machinery for price control than we did then (Feb. 15).

Our exports of steel products were nearly twice as large in 1942 as in 1941—and that is important for the steel industry, because exported steel never comes back in the form of scrap (Feb. 15).

### National City Bank

Although it will change in detail, the general pattern of the war economy is virtually completed. However, supplies of civilian goods have not yet dropped to the minimum; the country is now living partly on its inventories, and many factors will restrict civilian production further (Feb.).

The unprecedented increase in government revenue—estimated at \$33 billion for 1944 at present tax rates—has been overshadowed by the still greater growth of expenditures. But the evidence of the quantity of revenue the economic system is capable of producing is impressive (Feb.).

The government must finance as large a part of its borrowing as possible outside commercial banks, since their purchases have an inflationary effect. This means intensifying the drive to sell securities to insurance companies, savings banks, corporations, investment trusts, and especially to individuals (Feb.).

To reach the volume of war spending contemplated in the new budget, we shall have to produce for war alone a total of goods and services about equal to the total national product of our busiest peacetime year, 1929 (Feb.).

The Administration hopes that reduction in distributors' costs through simplification of products and elimination of services will make it possible for them to function on narrower margins. Such measures can help, but their contribution is small measured against the magnitude of the problem (Feb.).

To meet the farm labor shortage, the WMC has given Secretary Wickard responsibility for recruiting 3,500,000 workers from less essential jobs. Some farmers have been transferred from sub-marginal lands, and the agricultural implementation quotas are being raised by the WPB (Feb.).

The policy of the OPA now is to abandon March, 1942, prices and substitute dollars and cents ceilings at the processing level with fixed markups for distributors. This move, however, by no means disposes of the problem of the "squeeze," since correction of one price inequality has often led to another (Feb.).

Labor cost per unit of product in 1942 was 12% over 1941 and 20% over 1939-40. This rise in costs is likely to continue in 1943. It is a danger to price stability during the war and to the ability of industries to sell goods at a profit and give employment after the war (Feb.).

Germany is now on the defensive. To turn the war in her favor, her chief reliance is now on the submarine, and authorities agree that the submarine offensive is gravely dangerous for the Allies and that it will prolong the war (Feb.).

## Finance Executives Plan Conference in New York, March 24-25

AMA's conference on Wartime Financial Management will take place at the Hotel Pennsylvania on March 24 and 25. The sessions, which have been planned by the Council of the Financial Division, headed by H. C. Perry, Vice-President of the Division and Secretary and Treasurer of the Heywood-Wakefield Co., will attempt to show how the finance executive can adjust his operations to changed conditions of a war economy.

Among the important topics of discussion will be:

Cost and Profit Determination in Wartime; Salary Stabilization and Executive Incentive Plans; Company Problems in Contract Renegotiation; the Future of Incentive Plans; The Future of Pension Plans; Expense Control in Wartime; and Financial Planning for the Postwar Period.

The program has been planned on the basis of extensive research by the AMA staff, and the Planning Committee. The sessions are expected to give a broad picture of how companies are handling typical wartime financial problems and will have an attendance of executives with company financial responsibilities from industries throughout the nation.

Among the speakers will be: Arthur D. Whiteside, President of Dun & Bradstreet, Inc.; M. B. Folsom, Treasurer of Eastman Kodak Co.; Eric A. Camman, Partner, Peat, Marwick, Mitchell & Co.; Oscar N. Lindahl, Vice-President, Finance, Carnegie-Illinois Steel Corp.; Keith Powlison, Treasurer, Armstrong Cork Co.; Paul F. Cadman, Economist, American Bankers Assn.; Bernard Lester, Westinghouse Electric & Mfg. Co.; Roscoe Seybold, Vice-President and Comptroller, Westinghouse Electric & Mfg. Co.; H. Charles Kwasha, Marsh & McLennan, Inc., Associate Member, Actuarial Society of America; and Associate Member, American Institute of Actuaries; F. F. Hoyt, Vice-President and Comptroller, Carrier Corp.; Joseph P. Healey, Assistant Treasurer, Curtiss-Wright Corp.; K. H. Rockey, Chairman, Price Adjustment Board, Navy Department; and Dr. Jules I. Bogen, Editor, *The Journal of Commerce*.

### The President's Scratch-Pad

(Continued from front page)  
exacted whose total effect is to hamper production. These include restrictions on transfer, promotion or assignment to shifts because of seniority requirements; prohibition of the reclassification of employees or restudy of jobs; restrictions on hiring or on changes in company rules.

How, with all the clamor about manpower, are anomalies such as these countenanced?

*Alvin E. Dodd*

### Planning Finance Sessions



HENRY C. PERRY

### Coming Conference Dates Announced

The following are the dates and places for the remaining Winter and Spring Conferences of the AMA, which have been announced by the Councils of the various Divisions:

Finance and Accounts, March 24-25, Hotel Pennsylvania, New York City.

Packaging Conference and Exposition, April 13-16, Hotel Astor, New York City.

Production, May 5-6, Hotel Statler, Cleveland, Ohio.

Insurance, May 25-26, Hotel New Yorker, New York City.

### Business Outlook

(Continued from front page)  
sidered the measure of national effectiveness because the Russians are beating back the Germans only through their sheer all-out endeavors. The longer the war lasts, the closer shall we approach the Russian effort, the more certain does real privation become.

## Packaging Conference and Exposition, April 13-16, in N.Y.

The extent to which the packaging, packing and shipping industries have integrated their activities with the war effort will be highlighted at the Wartime Packaging Conference and Exposition, to be held at the Hotel Astor, New York City, April 13 to 16, inclusive.

Reports received from exhibitors by the AMA indicate that exhibits will be concerned exclusively with presentation of the companies' products and services for war and for essential civilian needs.

An extensive special exhibit of war packages and packing and shipping methods by various government agencies will be a feature of the exposition, according to the Association.

The conference program, concurrent with the exposition, will also be devoted entirely to war aspects of packaging, packing and shipping, it was stated.

### 2000 Attend Personnel Conference

The Conference of the Association's Personnel Division, held in Chicago on February 10, 11 and 12, and devoted to the theme of "Manpower Utilization" proved to be the largest and one of the most successful meetings that AMA ever sponsored. The sessions had a total attendance of two thousand executives. This attendance was not concentrated in any particular part of the meeting, but was sustained throughout the sessions. The Conference was planned under the direction of L. A. Appley, Vice-President of the Personnel Division and Executive Director of the War Manpower Commission.

### New Study on Women Workers

A new research report entitled "Supervision of Women on Production Jobs" has recently been published by the AMA Research and Information Bureau. Based on observation of company practices, the study is an authoritative report on management's experience in developing supervisory techniques for female personnel. Distribution of the bulletin is restricted to company members of the Association. This is the second Research Report in a series recently inaugurated by the AMA, the first was devoted to the problems of integrating negro workers into the working force.

